

October 28, 2015

Ms. Annie Donovan
Director
Community Development Financial Institutions Fund
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, DC 20220

Ms. Amber Kuchar
Program Manager
Community Development Financial Institutions Fund
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, DC 20220

Dear Director Donovan and Ms. Kuchar:

The members of the Community Development Bankers Association (CDBA) are writing in response to the Notice for Public Comment published on August 31, 2015 by the Community Development Financial Institutions (CDFI) Fund seeking comments on the proposed revisions to the Interim Rule for the CDFI Program.

CDFI Bank Sector:

Today there are 109 CDFI certified banks and thrifts and 60 certified bank holding companies. These mission-focused financial institutions are a specialized niche within the banking industry. CDFI banks represent only 1.7% of the 6,348 banks in the nation. CDFI banks, however, are very important to the CDFI sector. While certified banks and their bank holding companies represent only 17.7% of all 951 certified CDFIs, by asset size they account for more than 40% of the total assets of the entire industry.

CDBA is the national trade association of the community development banking sector, the voice and champion of CDFI banks and thrifts. CDBA represents Federal and State chartered banks, thrifts, and their holding companies that are certified by the CDFI Fund. CDBA members serve our nation's most distressed and credit-starved communities and are engines of economic inclusion throughout the United States.

General Comments on Proposed Revisions to the Interim Rule

We thank you for the opportunity to comment on the proposed revisions to the Interim rule for the CDFI Program. We fully appreciate the agency's efforts to improve all of its programs. We look forward to working with you on this important issue.

Accountability: The proposed revisions to the interim rule would require that entities demonstrate their accountability to their communities through representation on their

board and/or advisory communities. This change eliminates the option of presenting market survey or other data collection methodologies to meet the Accountability test. We support this amendment. We urge the CDFI Fund to continue to allow CDFIs to meet the accountability requirement through both Board members and advisory board members. The latter is becoming increasingly important for regulated institutions as the effect of requirements under the Dodd-Frank Act place increased liability burdens on bank Directors. Over the long term, these requirements could affect the ability of CDFI banks to recruit community representatives as Directors.

Retained Earnings: The proposed revisions to the interim rule would create greater parity in the treatment of retained earnings as matching funds between CDFI banks and credit unions. We applaud and support this change. Retained earnings are the principal source of matching funds for CDFI banks and bank holding companies that apply to the CDFI Financial Assistance Program. We believe it is appropriate that CDFI bank retained earnings enjoy an expanded matching funds window similar to its CDFI credit union colleagues. We ask the CDFI Fund ensure that the policy also cover any retained earnings up-streamed as dividends or otherwise by the bank to its CDFI bank holding company as eligible matching funds if the holding company is applying for Financial Assistance.

Returning to Equity Investments

We strongly urge the CDFI Fund to revisit the manner in which it makes awards to CDFI banks and bank holding companies. Specifically, when the CDFI Fund's authorizing statute was enacted, Congress explicitly intended for CDFI banks and holding companies to be able to receive Financial Assistance in the form of Equity Investments.

For many years, the CDFI Fund's practice was to provide Financial Assistance to CDFI banks and bank holding companies in the form of non-voting stock. The Financial Assistance was matched principally in the form of retained earnings and/or secondarily from new equity raised from investors. In recent years, the CDFI Fund has moved toward providing assistance to CDFI banks and bank holding companies in the form of grants. Grants are a good way for 501(c)(3) non-profit CDFIs to receive funding that can be used as equity capital because the income is not taxable. In the case of for-profit CDFIs, providing Financial Assistance in the form of grants is not optimal because they must pay taxes on the receipt of grant income and effectively lose a large portion (e.g. approximately 40% depending on the corporate and earnings status of the CDFI) of the award up-front. This capital is best deployed in low income communities served by these CDFIs.

We strongly urge the CDFI Fund to reinstate its past practice of providing Financial Assistance to CDFI banks and bank holding companies in the form of Equity Investments. To the extent that a CDFI bank or holding company may wish to request Financial Assistance in the form of a grant, the CDFI Fund should preserve this option. Retained earnings generated at the bank level should be eligible as match for either Equity Investments or grants, as well as new equity raised from investors. As was past CDFI Fund practice, retained earnings generated by the CDFI bank and up-streamed to its bank holding company should also be eligible for match. Given increased

regulatory pressure for banks to raise equity capital levels, we strongly recommend that Financial Assistance be provided as Tier 1 non-voting common equity.

We recommend that the CDFI Fund provide appropriate guidance in its Notice of Funding Availability of its return to this recommended practice. Similarly, we recommend that the Financial Assistance application be amended to reflect this change. We specifically note that the application worksheet "Purpose" tab lists "Capital Reserves" as an eligible use. This term is unfamiliar and confusing to CDFI bank and holding company applicants. The term "Tier 1 Equity" or "Equity Capital" would be clearer in communicating the intended use of funds for this group of applicants.

We thank you for the opportunity to comment on the proposed rule and look forward to working with you on these important matters. If you have questions, please contact Jeannine Jacokes, Chief Executive and Policy Officer at 202-689-8935 ext. 222 or jacokesj@pcgloanfund.org.

Sincerely,

The Membership of the Community Development Bankers Association

ABC Bank (Chicago, IL)
Albina Community Bank (Portland, OR)
Bank2 (Oklahoma City, OK)
BankFirst Financial Services (Macon, MS)
Bank of Anguilla (Anguilla, MS)
Bank of Commerce (Greenwood, MS)
Bank of Kilmichael (Kilmichael, MS)
Bank of Lake Village (Lake Village AR)
Bank of Montgomery (Montgomery, LA)
Bank of Vernon (Vernon, AL)
BankPlus (Ridgeland, MS)
Beneficial State Bank (Oakland, CA)
Broadway Federal Bank (Los Angeles, CA)
Carver Federal Savings Bank (New York, NY)
Carver State Bank (Savannah, GA)
Central Bank of Kansas City (Kansas City, MO)
Citizens National Bank (Meridian, MS)
City First Bank of DC (Washington, DC)
City National Bank of New Jersey (Newark, NJ)
Community Bancshares of Mississippi (Brandon, MS)
Community Bank of the Bay (Oakland, CA)
Cross Keys Bank (St. Joseph, LA)
Farmers & Merchants Bank (Baldwyn, MS)
First American International Bank (Brooklyn, NY)
First Eagle Bank (Chicago, IL)
First Independence Bank (Detroit, MI)
First Security Bank (Batesville, MS)
First SouthWest Bank (Alamosa, CO)
Guaranty Bank and Trust Company (Belzoni, MS)

Illinois Service Federal Savings and Loan Association (Chicago, IL)
Industrial Bank (Washington, DC)
International Bank of Chicago (Stone Park, IL)
Mechanics and Farmers Bank (Durham, NC)
Merchants and Planters Bank (Raymond, MS)
Metro Bank (Louisville, KY)
Mission Valley Bank (Sun Valley, CA)
Native American Bank (Denver, CO)
Neighborhood National Bank (National City, CA)
NOAH Bank (Elkins Park, PA)
OneUnited Bank (Boston, MA)
Oxford University Bank (Oxford, MS)
Pan American Bank (Los Angeles, CA)
Pan American Bank (Chicago, IL)
Peoples Bank (Mendenhall, MS)
RiverHills Bank (Port Gibson, MS)
Security Federal Bank (Aiken, SC)
Southern Bancorp (Little Rock, AR)
Spring Bank (Bronx, NY)
Start Community Bank (New Haven, CT)
State Bank & Trust Company (Greenwood, MS)
Sunrise Banks (St. Paul, MN)
The Commercial Bank (DeKalb, MS)
The First, A National Banking Association (Hattiesburg, MS)
The Jefferson Bank (Greenville MS)
United Bank (Atmore, AL)
United Bank of Philadelphia (Philadelphia, PA)
Urban Partnership Bank (Chicago, IL)
Virginia Community Capital (Christiansburg, VA)